

**CITY OF TUCSON EMPLOYEES VOLUNTARY DEFERRED COMPENSATION MANAGEMENT  
BOARD - Meeting minutes from February 23, 2007**

**Members Present:** Joe Barkenbush, Chairman of the Board  
James Cameron, Finance Director  
Cindy Bezaury, Human Resources Director  
Steven Postil, Member

**Absent, Excused:** Dennis Woodrich, Member

**Staff Present:** Frank Kern, Board Counsel  
Joe Ladenburg, Deputy Finance Director  
Robert Leko, Treasury Administrator  
Joel Peterson, Risk Manager  
Allan Bentkowski, Investment Manager  
Michael Hermanson, Retirement Manager  
Doris Rentschler, Finance Analyst  
Claire Beaubien, Retirement Administrative Assistant

**Guests Present:** Matt Pruitt, ICMA Retirement Corporation  
Chris Baker, ICMA Retirement Corporation  
Dan Kohler, ICMA Retirement Corporation  
Gary Helm, ICMA Retirement Corporation

A) Call to Order

Chairman Barkenbush called the meeting to order at 9:00 a.m. after confirming that there was a quorum. Due to a number of new faces in the room, Chairman Barkenbush asked for everyone to introduce themselves.

B) Consent Agenda – approval of minutes for October 26, 2006

Cindy Bezaury **motioned** to approve the consent agenda as presented. Jim Cameron provided a **second** to the motion. **Motion passed 4-0** (Dennis Woodrich absent, excused).

C) Nationwide MVA adjustment update

Frank Kern gave a brief overview of the MVA adjustment by Nationwide. He also reported that the City of San Diego has made a motion for summary judgment against Nationwide but it is a sealed settlement. Waukesha County, Wisconsin also has a lawsuit challenging Nationwide's MVA charge on the conversion of their plan that is waiting to be heard by the court in Western Wisconsin, scheduled for June '07. At this point, Frank recommends a "wait and see" attitude until the case is adjudicated. Mike Hermanson recalled our own experience with Nationwide marking a change of tune in the 10 months that passed from their RFP response to the conversion date in September of 2006. No further action taken at this time.

D) Election Committee Report

Steve Postil (election committee chair), reported that with the help of election committee members Selma Saldate and Joan Stauch, a unanimous recommendation was received for these qualified candidates: Dennis Woodrich (incumbent), Jeanette Hinton and David Siwarski. Steve asked whether or not a previous unsuccessful candidate should be on the ballot again. During discussion, it was noted the Board previously expressed concern at the last election (in

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2006 when Steve Postil was elected) of the possibility of a conflict of interest with one of the candidates. Frank requested time to review his research on the issue to determine if any of the candidates might have a conflict of interest issue.

Cindy Bezaury inquired what the Board's fiduciary duty might be for the IAFF-FE Nationwide deferred compensation plan. She stated that if the Board has fiduciary responsibility for these plans, there could be a conflict of interest if any of our board members were receiving compensation from the plans. The consensus of the Board was to delay the election for the open member position until the issue is resolved. Frank stated that if necessary, the Board could convene a special meeting to approve the recommended candidates prior to the next regularly scheduled meeting in May. No further action taken.

#### E) Educational Program Rollout Report

Mike Hermanson gave a report on the ICMA Retirement Corporation (ICMA-RC) educational program for the City of Tucson that began on February 1<sup>st</sup>, 2007. As part of the service contract, they committed to presenting 120 classes during the year (and have a \$25k penalty if they do not meet their commitment). Mike estimated that about 65% of ICMA's commitment should be met by May 4<sup>th</sup>, 2007. Mike will meet again in April to discuss and evaluate the program and schedule the second phase of this year's program. Overall, the program has been well received, with the retirement office receiving thanks from many of the participants. Gary Helm announced that ICMA-RC representative Tom Axline had been promoted to the position of Financial Planner for the Western region. No action taken.

#### F) Client Advisory Forum Report

Mike Hermanson reported that he had recently attended ICMA-RC's Client Advisory forum in Washington, DC. The purpose of these forums allows ICMA-RC the opportunity to enhance services to their customers by first presenting ideas to clients and gathering their feedback on how to make their programs better before they are offered. No action taken.

#### G) Board Policy Considerations on Deferred Compensation Agreement with ICMA RC

1. Annual administrative fee allowance
  2. Application of revenue ceiling limit
  3. Procedure for applying credit to participant accounts
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1. Mike Hermanson reported there is an annual \$50,000 administrative expense allowance included in ICMA-RC's proposal to the City of Tucson to help pay expenses incurred to co-administer our deferred compensation program. Related to this, Mike explained that earlier this month, he had returned the 1<sup>st</sup> quarterly payment received from ICMA-RC. With the returned check, he requested that this and this year's future payments be held in a low risk, investment account until after the end of this plan year (October 2007). Since it is unknown whether all the money will be needed for expenses, this issue should be evaluated further before accepting it. The board conceded this to be a reasonable approach.
  2. During discussion of this topic, Mike asked our ICMA-RC relations manager Matt Pruitt if he could suggest a simple method for adding back fees charged to members if the fees exceed ICMA's annual revenue requirement. This feature was written into the ICMA-RC annual service agreement. Mike suggested two policies for the Board to consider: (First); an annual request made to ICMA-RC to determine whether the City of Tucson's account

has met or exceeded the annual revenue requirement, not later than 60 days after September 30<sup>th</sup> for each year of the contract. (Second); a request to accomplish the return of any excess fees charged on participants' accounts during the preceding year, based upon a process that emulates reversing how these fees were originally charged against participant's accounts, proportionate to their accounts balances existing during the preceding plan year. Steve Postil **motioned** to adopt these two recommended policies, Cindy Bezaury **seconded**. **Motion passed 4-0** (Dennis Woodrich absent, excused).

Joe Ladenburg asked if City investment staff would be involved with reviewing investment performance issues, investment policy, fund line-up, etc. Allan Bentkowski asked about how ICMA evaluates the fund managers and whether there is a watch list for poor performance attributes; and information on how that policy is written. Matt Pruitt responded that the fund line-up is evaluated on a quarterly basis by an investment committee at ICMA-RC. Matt added that a possible resource for this Board might be a quarterly conference call to discuss the fund line-up and performance. As a follow-up, Mike asked if the Board could have a copy of the investment policies utilized by ICMA-RC. Gary Helm said that ICMA-RC could provide a policy statement template but, as fiduciaries to the plan, it is ultimately within the Board's purview to create the policy statement for the City's plan. It is the Board's responsibility to set the evaluation criteria for the plan because it could be different than what ICMA-RC uses. Because the City has a customized line up, ICMA-RC can assist the Board with a review the line-up on a quarterly basis.

#### H) ICMA-RC presentations – Matt Pruitt, Gary Helm, Chris Davis, Dan Koehler

1. 4<sup>th</sup> quarter 2006 plan review - Matt Pruitt briefed the board with highlights of the deferred compensation plan from summary booklets provided to Board Members for this meeting.
2. ICMA RC new product presentations
  - a) Managed Accounts – Chris Baker presented information on the Managed Accounts Program offered by ICMA-RC. Chris began by stating that a corporate shift had taken place over the past 3-4 decades on offering defined benefit plans. Many companies have exchanged defined benefit plans for defined contribution plans and that has created an environment that requires employees to think more about their retirement accounts and how they handle portfolios in saving for retirement. On the national level, studies indicate that employees are not doing what they should be to manage their retirement accounts in defined contribution plans. Surveys conducted on this subject reveal that 61% of Americans indicate they lack confidence in their ability to manage their retirement account and 62% have not estimated how much money they need for retirement.

The program called Guided Pathways, is an enhancement to services already offered by ICMA-RC for the City's deferred compensation program. It is a comprehensive asset management service, personalized to take into the employee's retirement account, future income and savings, investments outside of the deferred compensation account, spousal investments and desired retirement age and income. It relieves participants from directly managing their accounts, and allows ICMA-RC to make fund specific recommendations and implement advice on an ongoing basis, including rebalancing the account. In short, managed accounts are designed for employees who don't have the time, experience or interest in managing their

accounts. This service is provided for an additional asset-based fee (on top of the other fee charged on the funds) but is only charged to those participant's that want it. The asset-based fee is based on an average daily balance and the fee is tiered, starting at 60 basis points (.6%) on the 1<sup>st</sup> \$25,000 account balance, falling to .25% for balances of over \$250,000. In addition, employees may elect to opt out of Managed Accounts and go back to managing their own accounts at any time.

- b) Certificates of Deposit Program – Dan Koehler described the CD program offered by ICMA-RC. Mike Hermanson stated that the retirement office had received a few calls from participant's asking if we had a CD investment program. Following a brief discussion, Jim Cameron **made a motion** to add these two programs to the City of Tucson ICMA-RC plan. The **motion was seconded** by Steve Postil, adding that staff should proceed with the necessary adoption paperwork as soon as feasible. **motion passed 3-0** (Cindy Bezaury & Dennis Woodrich absent, excused).

- l) Adjournment – Chairman Barkenbush announced that the meeting was adjourned at 10:34 a.m.

Approved:

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Joe Barkenbush,  
Chairman of the Board

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Date

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Michael Hermanson,  
Retirement Manager

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Date